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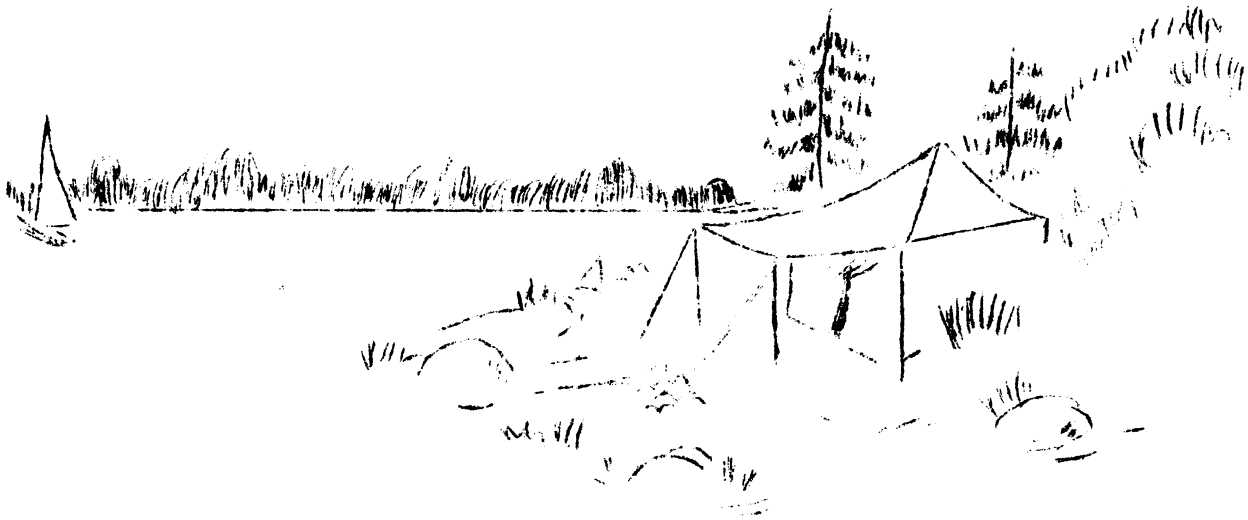
OUTDOOR RECREATION ENTERPRISES IN OHIO

GERALD P. OWENS



Department of Agricultural Economics and Rural Sociology
The Ohio Agricultural Experiment Station and
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Nature of Investment, Expenses and Income of Successful Outdoor Recreation Enterprises in Ohio

Gerald P. Owens 1/

A study was made of the income potential of seven types of outdoor recreation enterprises in Southern Ohio. 2/ Subsequent studies are providing information on the demand for outdoor recreation. Many farmers and others in rural areas need such information to help in recreational planning.

This paper presents budgets of feasible enterprises.

In the income potential study, one-fifth of the firms had a net cash loss and over half were unprofitable after deducting interest charges on capital investment. This is a rather bleak picture, since the firms were selected as above average in earnings and length of time in business. However, there were profitable enterprises in each category, which shows that outdoor recreation enterprises can be successful business ventures. The results of this study emphasize the importance of proper location and good management.

Location in relation to population centers, roads, transportation facilities and competitors is extremely important. Outdoor recreationists are willing to travel longer distances for recreational experiences that last one or more full days than for those of a few hours. For example, most people will travel farther for a weeks stay at a vacation farm than for a three hour trail ride or a half-day picnic. Preliminary data from a current study show average and median distances traveled (one way) by recreationists in 1963.

1/ Instructor, Dept. of Agr. Econ. & Rural Soc.,OAES and Agricultural Economist; Resource Development Economics Division, ERS,USDA

2/ Owens, Gerald P. Income Potential from Outdoor Recreation Enterprises in Rural Areas in Ohio. Ohio Agr. Expt. Sta. Res. Bul. 964, Feb. 1964. A summary of the problems encountered with various enterprises is also presented.

Activity	Median Miles*
Swimming	5
Picnicking	15
Fishing	20
Hunting	40
Horseback Riding	15
Camping	60
Golf	7

*50 percent of the participants travel the indicated distance, or less. For example: 50 percent of all swimmers travel five miles or less per trip, one way, in order to go swimming.

One of the most difficult management problems is to attract enough patrons. Most operators of recreation enterprises expect large numbers of people on weekends but relatively low patronage during the week, because outdoor leisure time is mostly available on weekends. Inclement weather and the seasonal nature of many outdoor activities further limit participation. Therefore, recreation businesses operate below capacity most of the year. Advertising and other established business principles must be employed to attract patrons and to satisfy their desires for recreation.

Analysis of Individual Enterprises

The following tables estimate investment, income, and expense of hypothetical enterprises covered by the study. Although these are not actual budgets of existing enterprises, they are based on data from successful ones. Estimates of land values, other capital invested, and income and expenses per user are based on study data. The summaries vary most from actual data in the level of patronage assumed, which is higher than most enterprises experienced, but are considered as reasonable levels attainable with

good management. These summaries are examples which may be used as guides in making decisions to establish similar enterprises rather than as budgets around which a firm can be built. They must be altered to fit individual conditions before they are valuable for planning purposes.

The following sections deal with the summaries for each type of enterprise, and point out significant relationships to estimate the financial results of a proposed enterprise.

Pay Fishing Lakes

The enterprise portrayed is a medium size pay lake near a population center of about 100,000, but beyond the influence of speculative land buying. Although 30 percent of the total population goes fishing at least once during the year, not nearly that many people patronize pay lakes. The lake covers about 1 3/4 acres and is constructed with help of government agencies for conservation and flood control. The small watershed has good vegetative cover to limit silting. Considerable planning, investments, and family labor are embodied in the convenience facilities (snack bar, shelters, rest rooms, roads, parking lots, and fencing) because the lake has a high patronage level.

Total revenue of $9,910 is based on 4,600 patron days of use (table 1). According to study findings, almost all business is done from April through September. During May, June, and July, there will be about 75 patrons per day,on weekends (28 days) and about 30 per day on 4 week days (closed one week-day). During April, August, and September there will be an average of 25 customers per day on Saturdays and Sundays and 10 customers per

day on weekdays. This allows for closing one weekday each week and on days when the weather is bad.

Fees are $1.25 per pole, which entitles the customer to 5 pounds of fish. Fish taken over the limit are sold at 50 cents per pound. Since many fishermen use two poles and some catch over the limit, an average of $1.48 per fisherman is expected in fees. In addition to fees, fishermen will spend an average of 68 cents per visit for refreshments, food, bait, and tackle.

The largest expense is for fish. About two pounds per patron-day are bought, but some fish propagate naturally in the lake. Cost of fish (10,000 pounds at 40 cents per pound) is $4,000. Supplies include the cost of items offered for sale and fish feed. Other expense items are based on study data but scaled to fit this situation.

After deducting interest charges on investment, $1,520 remains for family labor and management. No value was assigned to family labor, but about 800-1,000 hours of family labor will be needed in addition to 250 hours of hired labor on weekends and holidays.

This summary is an example that must be adapted to individual situations. For example, capital investment may be more or less according to land values and size of facility. The lake may cost considerably less if an existing farm pond is used. Labor costs may be lower if more family labor is available and cost of fish can be reduced if some or all fish are propagated or harvested by the operator. Finally, and of greatest importance, income will vary with number of customers and the types of services offered. If fewer patrons are expected, perhaps the entire enterprise could be scaled down. However, the enterprise depicted by this budget could serve at least 25 percent more customers with proportional increases in expenses for fish, labor, supplies, etc.

Estimated Investment Income and Expenses
For a Pay Lake

Table 1.

Capital Investment		
Land (5 acres @ $400 per acre)	$2,000	
Lake Construction	2,800	
Snack bar, shelter, benches, lighting fixtures	2,100	
Rest rooms	1,000	
Roads and parking lots	400	
Fencing	100	
		$8,400
Annual Income		
Fishing fees ($1.40 per patron-day at $1.25 per pole plus $.50 lb. over limit)	$6,800	
Bait (average 20¢ per patron-day)	920	
Tackle	690	
Snack bar (average 33¢ per patron-day)	1,500	
		$9,910
Annual Expenses		
Labor	$ 375	
Fish (10,000 lbs. @ 40¢ lb.; average 2 lb per patron-day)	4,000	
Supplies, bait, tackle (40% markup)	2,320	
Utilities	100	
Taxes and insurance	150	
Advertising	125	
Repairs	150	
Depreciation (15 years on all capital except land)	450	
Miscellaneous	300	
		$7,970
Net cash income		$1,940
Interest on investment @ 5%		420
Net income to family labor (800 to 1000 hours) and management		$1,520

Vacation Farms

Facilities needed for a vacation farm are two or three extra bedrooms and an extra bathroom. These would accommodate one or two families, depending on size of family. The budget assumes an average of 5 adult guests (or 2 adults and 4 children) per day for 120 days during the year (table 2). This operation is of larger scale than those studied. However, an established vacation farm could obtain this many guests, expecially if the season could be extended beyond 120 days. Usually, a vacation farm should not have more than 6 guests at a time because there is extra work of preparing meals and of entertaining guests. The basic appeal of a vacation on the farm and participating in rural living is reduced by a large group, especially if guests were not previously acquainted.

Net income to family labor and management is $1,405. It is estimated that about 700 - 900 hours of family labor will be needed. In addition, about 200 hours of part-time hired labor, primarily kitchen help, will be required. Many hosts accept only one family at a time. In that case, the average number of guests per day would be lower than shown in the budget.

Tent and Trailer Camps

Camping facilities are best located near a natural attraction and a main highway. Therefore, land values will be higher than for agricultural purposes. Cost of land improvements and buildings is higher than for pay lakes because individual camping sites, roads, and fencing must be prepared and sanitary facilities such as showers, toilets, drains, water pumping systems, and hot water heaters provided. (table 3)

Estimated Investment, Income and Expenses
For a Vacation Farm

Table 2.

Capital Investment:		$ 500[a/]
Annual Income		
Guest Fees (630 patron-days, $5.00 day or $35 week average for 5 guests per day during a 4-month season.)		$3,150
Annual Expenses		
Advertising	$150	
Utilities (approx.)	75	
Supplies ($1.50 per day per guest for food, including value of home-grown meats and vegetables)	950	
Repairs	100	
Insurance	65	
Hired Labor (200 hours)	300	
Misc.	80	
		$1,720
Net cash income		$1,430
Interest on Investment		25
Net income to family labor (700-900 hrs.) and Management		$1,405

a/ A nominal capital investment is shown because the study shows little, if any, investment in new capital equipment. No land used for farming is taken out of production. The new investment is for curtains, new furniture, extra tableware, redecorating, etc.

Some trailer spaces may be rented on a yearly basis and larger fees may be charged for trailer parking than for tent camping. Separate charges for utilities or showers are common, and the more desirable campsites may have a higher fee. An enterprise of this size could accomodate 5,000 camping parties per year on the 35 campsites. Since campgrounds usually operate at less than 50 percent capacity and 70 percent of their business is on weekends, a total of less than 1,700 campsite rentals for an average of $1.80 per site including electricity, shower, and washing facilities is budgeted. About 1,000 rentals are on weekends with an average of 30 of the 35 spaces rented. On week days an average of 8 campsites are rented per day. The campground will gross $3,000 per year. Expenses are about half of the receipts. Depreciation and repairs are the largest expense items. After deduction of interest on investment, about $950 is left as net returns to family labor and management. In addition to about 100 hours hired labor, about 300-400 hours of family labor will be required to clean up the campgrounds, collect fees, and for repair work.

The campground use is less than 35 percent of capacity although it is almost full on weekends. To increase patronage, the number of weekday customers would have to be increased by renting trailer parking facilities by the year, or by attracting travelers. Retail sales, boat landings, and other activities could also increase income from the camping enterprise.

Estimated Investment, Income and Expenses
For a Campground
(tent and trailer camping) a/
Table 3.

Capital investment:		
Land (10 acres at $450 per acre)	$4,500	
Land improvements (roads, fireplaces, drains)	1,400	
Buildings (toilets, shelters)	4,000	
Operating equipment (mower, trash receptacles, etc)	1,200	
		$11,100
Annual income:		
Camping fees (1667 campers @ $1.80)		3,000
Annual Expenses:		
Advertising	$ 130	
Utilities	100	
Repairs (Painting etc)	350	
Tax	100	
Insurance	125	
Miscellaneous	100	
Depreciation	440	
Hired labor (100 hours)	150	
		$ 1,495
Gross income		$ 1,505
Interest on investment @5%		555
Net income to family labor (300-400 hrs) and management		$ 950

a/ Space for 20 campsites and 15 trailer spaces.

Shooting Preserves

Capital Investment for shooting preserves is higher than for most other enterprises because a large acreage is needed (table 4). Shooting preserves require tillable land and should be relatively close to population centers. Land value per acre will be higher than for organized camps. The investment in land improvement, buildings, and pens is also large, but will depend on the amount and condition of existing facilities used.

Income from hunting fees is based on three shooting areas for 4 to 6 hunters each. Each hunt, including stocking time, lasts about 4 hours. Therefore, capacity is about 30 shooters per day. If the enterprise were open every day for eight months, it could serve 5,000 shooters, but inclement weather and days closed limit capacity to 2,500 hunters. The shooting preserve will operate near capacity on favorable Saturdays and holidays but with an average of only one hunting party on weekdays. Ohio law does not permit shooting preserves to operate on Sunday. There is opportunity to expand business if more hunters can be attracted on weekdays.

Shooters will spend about $25 per hunt, or $10 above the minimum fee for extra birds, ammunition, bird cleaning, and meals. Sales of game birds to restaurants is a good way to dispose of excess birds. Some operators gain income by furnishing lodging to hunters.

Estimated Investment, Income and Expenses
For a Shooting Preserve

Table 4.

Capital Investment:		
Land (300 acres @ $250 per acre)	$75,000	
Land improvement (cover crops, fence rows, terracing , etc.)	3,000	
Lodge	3,000	
Holding pens, cages, crates, feeders, kennels, etc	1,800	
Dogs	1,000	
Merchandise inventory (ammunition)	300	
		$84,100
Annual income (approx. 1,200 patron days, $28 per patron day):		
Hunting fees (assuming 80% recovery--approx. $24 per hunter)	$28,500	
Retail sales (ammunition)	600	
Bird Cleaning	500	
Sales of game birds to restaurants	1,800	
Dog training and boarding	800	
Lunches served to hunters	1,200	
		$33,400
Annual expenses:		
Advertising	$ 600	
Utilities (electricity, heat, telephone)	550	
Birds (4,000 pheasant, 1,500 ducks, 650 partridge, 300 quail) a/	11,930	
Feed (dogs and birds)	3,500	
Tax and License	650	
Insurance	200	
Repairs and depreciation	1,000	
Labor	4,500	
Supplies (food and ammunition)	1,000	
Miscellaneous	500	
		$24,430
Net cash income		$ 8,970
Interest on investment @ 5%		4,205
Net income to family labor (1600-2000 hrs. and management)		$ 4,765

a/ Birds are purchased from specialized game rearing farms.

The cost of birds, hired labor, and feed for dogs and birds are the largest expense items. The net return to family labor and management includes payment for about 1,600 to 2,000 hours of family labor.

Shooting preserves have even more difficulty than pay fishing lakes to gain acceptance by sportsmen. To overcome the stigma of hunting or fishing for "semi-captive" wildlife, operators of shooting preserves and pay lakes must satisfy the sense of sportsmanship of the outdoorsman. Shooting preserves must have lively birds, good guides, and well trained dogs.

Organized Camps

The camp represented in this budget is in a scenic, hilly, wooded area on land poorly suited to agriculture. It caters to boys or girls ages 6 to 15. It does not need to be near a large population center, so land values are low, but capital investment in land improvement, buildings, and facilities is high (table 5). Often some existing buildings can be rebuilt or converted for shelters to reduce capital outlay.

Income is based on near capacity operation for the 12-week season. Sales of forest products result from proper management of the forest area. Retail sales consist of candy, souveniers, and other items sold to campers.

Expenses are primarily for food and labor. The camp must have 7 or 8 counselors present at all times, and food service personnel, a nurse, lifeguard, and administrative personnel available.

Estimated Investment, Income, and Expenses
For an Organized Camp a/

Table 5.

Capital investment:		
Land (400 acres @ $100 per acre)	$40,000	
Land improvement (roads, parking, landscaping)	4,000	
Buildings, swimming pool	25,000	
Operating equipment	6,500	
		$75,500
Annual income:		
Fees (8,000 patron days @ $50 week)	$40,000	
Sales of forest products	2,500	
Retail sales	1,000	
		$43,500
Annual expenses:		
Advertising	$ 500	
Utilities	1,000	
Supplies (food, crafts material, etc.)	13,500	
Repairs	1,000	
Depreciation	2,300	
Tax and license	350	
Insurance	480	
Labor (camp personnel)	9,900	
Labor (administrative)	2,500	
Miscellaneous	3,500	
		$35,030
Net Cash Income		$ 8,470
Interest on Investment @ 5%		3,775
Net income to family labor (2000-2200 hrs. management)		$ 4,695

a/ Capacity 110 boys or girls for 3 5-week sessions.

Family labor will provide administration and maintenance. Teenage children of the family could serve as counselors during the summer months. Net return to labor and management includes about 2,200 hours family labor.

An organized summer camp is an unusual type of family operation, but seems to be well suited to Ohio. It can be operated at a smaller scale than shown in the budget. Fees may be higher, especially for the younger age groups or if specialized training in crafts or leadership is offered.

This enterprise would be the primary source of family income, supplemented by farming or part-time employment during the off-season.

Budget for Riding Stables

Horseback riding is usually a short-term activity, so stables should be located near population centers. Thus, land value in the budget is relatively high even though the land does not have to be suited to agricultural purposes (table 6). Sufficient riding areas, trails, pasture, and hay meadows for 10 horses can be established on 100 acres. This budget assumes the use of existing barns, fences, and meadows.

With an operating level of 70 per cent of capacity and fees set at $1.50 per hour, this stable would collect $9,500 in fees. Horse boarding and sale of colts are other sources of income. Many riding stable operators also deal in horses.

Expenses for feed include grain and hay purchased or produced and payment for pasture. These expenses are higher if

Estimated Investment, Income and Expense
For a Riding Stable a/

Table 6.

Capital investment:		
land - 100 acres @ $300 per acre	$30,000	
Land improvement - riding trails	300	
Buildings - stables, tackrooms	5,000	
Operating equipment - 10 horses, saddles, bridles, etc.	3,500	
		$38,800
Annual income:		
Riding fees (6333 hours riding time @ $1.50/ hr)	$ 9,500	
Horse boarding and training	1,700	
Sale of colts	200	
Total gross income		$11,400
Annual expenses:		
Advertising	$ 300	
Utilities	250	
Feed (including pasture- approx. 50¢ per day per horse)	2,500 b/	
Labor	2,500	
Vet. Fees and horse shoeing	300	
Insurance ($20 per horse plus liability and property damage on buildings)	450	
Repairs & depreciation	900	
Miscellaneous	150	
		$ 7,350
Net cash income		$ 4,050
Interest on Investment @ 5%		1,940
Net income to family labor (800 hrs.) and management		$ 2,110

a/ Capacity is 10 horses
b/ Allowing for 3-4 boarded horses

all feed is purchased. A riding stable such as this could utilize a full-time worker if there is other farm work to be done at slack times and during the off-season.

About 800 hours of family labor is required for a stable of this size.

Budget for Picnic Areas

Land for picnic areas is very expensive because they must be located close to population centers (table 7). In addition to being readily accessible to a large number of people, picnic areas should also offer or be near some other attraction such as swimming or fishing. Tables, shelters, barbecues and an attractive landscape must be maintained.

Since about half of the business of a picnic area open to the public will be on weekends, the facilities will seldom operate at 50 percent of capacity. It is assumed that the enterprise represented by this budget can accommodate 800 people and operates during June, July, August, It is also open to groups by reservation at other times during the spring and fall.

Labor, the largest expense, is for personnel who collect fees, operate concession stand, and maintain the area. Depreciation is on a 10-year basis because carelessness and vandalism are likely to reduce life of equipment. One thousand hours family labor will be required for this enterprise.

Estimated Investment, Income and Expenses
For a Picnic Area

Table 7.

Capital investment:		
Land (20 acres @ $600 per acre)	$12,000	
Land improvement (drainage, terraces, etc.)	1,500	
Buildings (shelters, banches, barbecues, tables, etc.)	4,500	
Operating equipment	1,500	
		$19,500
Annual income:		
Fees (25¢ per person or $25 per group on reservation basis, approx. 30,000 patrons)	$ 7,800	
Retail Sales	2,000	
		$ 9,800
Annual Expenses:		
Advertising	$ 400	
Utilities	350	
Supplies	1,500	
Repairs	500	
Depreciation	750	
Tax & license	250	
Insurance	500	
Labor	2,700	
		$ 6,950
Gross income		$ 2,850
Interest on investment @ 5%		975
Net income to family labor (1000 hrs.) and management		$ 1,875

SUMMARY

Each of the recreational enterprises can be profitable if enough customers are attracted and the enterprise is well managed. The summaries presented are simple guides based on these conditions that can be used in planning recreational enterprises.